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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D C 20554

SEP 28 1995

In the Matter of

1993 Annual Access Tariff Filings

CC Docket No. 93-193  
Phase I

1994 Annual Access Tariff Filings

CC Docket No. 94-65

AT&T Communications  
Tariff F.C.C. Nos. 1 and 2  
Transmittal Nos. 5460, 5461, 5462 and 5464

CC Docket No. 93-193  
Phase II

Bell Atlantic Telephone Companies  
Tariff F.C.C. No. 1  
Transmittal No. 690

CC Docket No. 94-157

NYNEX Telephone Companies  
Tariff F.C.C. No. 1  
Transmittal No. 328

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**REBUTTAL CASE OF  
ROCHESTER TELEPHONE CORP.**

Rochester Telephone Corp. ("Rochester") submits this rebuttal to the opposition to its direct case filed by MCI Telecommunications Corporation ("MCI"). In its opposition, MCI asserts that the exchange carriers' reliance upon the Godwins<sup>1</sup> and NERA<sup>2</sup> Studies are inappropriate because neither Study justified its underlying assumptions.<sup>3</sup> MCI further

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<sup>1</sup> United States Telephone Association, *Post Retirement Health Care Study Comparison of TELCO Demographic and Economic Structures and Actuarial Basis to National Averages* (1992).

<sup>2</sup> National Economic Research Associates, Inc., *The Treatment of SFAS-106 Accounting Changes Under FCC Price Cap Regulation* (1992) ("NERA Study").

<sup>3</sup> MCI at 2-5.

asserts that the exchange carriers have failed to justify their actuarial assumptions or the level of benefits that they provide to their retirees.<sup>4</sup> MCI is wrong on both counts.

That the Godwins and NERA Studies started from different assumptions regarding behavioral responses to the implementation of Statement of Financial Accounting Standard-106 ("SFAS-106") provides no basis for denying exogenous treatment to this accounting change. MCI merely recycles the Commission's previous conclusion to this effect.<sup>5</sup> MCI, however, omits to note that the D.C. Circuit explicitly rejected this rationale for denying exogenous treatment to this accounting change.<sup>6</sup> Moreover, the Commission has rendered this particular contention moot. In the *Price Cap Performance Review Order*, the Commission concluded that the implementation of SFAS-106 represented a non-economic cost change.<sup>7</sup> The Commission's own conclusion validates the fundamental assumption underlying the NERA Study, namely, that unregulated firms would not adjust prices in response to an accounting change.<sup>8</sup> As such, the NERA Study provides a sound

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<sup>4</sup> *Id.* at 6.

<sup>5</sup> *Local Exchange Carrier Tariffs Implementing Statement of Financial Accounting Standards, "Employers Accounting for Postretirement Benefits Other Than Pensions,"* CC Dkt. 92-101, Memorandum Opinion and Order, 8 FCC Rcd. 1024, 1034-35, ¶ 63 (1993).

<sup>6</sup> *Southwestern Bell Telephone Company v. FCC*, 28 F.3d 165, 172 (D.C. Cir. 1994).

<sup>7</sup> *Price Cap Performance Review for Local Exchange Carriers*, CC Dkt. 94-1, First Report and Order, FCC 95-132, ¶ 307 (1995).

<sup>8</sup> From this premise, the Commission concluded that such cost changes should not qualify for exogenous treatment. *Id.* Whatever the merits of that conclusion -- and Rochester believes it to be incorrect -- it cannot now be used to justify denial of exogenous treatment of the costs so claimed in the 1993 and 1994 Annual Access Tariff Filings.

basis for the Commission to permit recovery of the exogenous costs claimed by Rochester.<sup>9</sup>

MCI's second assertion -- that exchange carriers have failed to justify their actuarial assumptions or level of postretirement benefits -- is equally wide of the mark. Rochester fully justified its actuarial assumptions and the level of benefits that it provides to its retirees and MCI does not suggest otherwise. Thus, this claim provides no basis for the Commission to adjust the amount of costs for which Rochester claimed exogenous treatment.

For the foregoing reasons, the Commission should reject MCI's claims in their entirety and close this investigation.

Respectfully submitted,

  
Michael J. Shortley, III

Attorney for Rochester  
Telephone Corp.

180 South Clinton Avenue  
Rochester, New York 14646  
(716) 777-1028

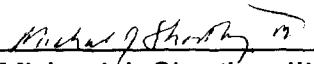
September 27, 1995

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<sup>9</sup> Even if the NERA Study understated slightly the price effect of the implementation of SFAS-106 on the national economy, this would afford no basis for any adjustment to the amount of exogenous costs claimed by Rochester. In the 1993 and 1994 Annual Access Tariff Filings, Rochester sought exogenous recognition only for that portion of its SFAS-106 liability related to the Transition Benefit Obligation, an amount far less than the overall book expense to Rochester from implementing SFAS-106. See *1993 Annual Access Tariff Filings*, CC Dkt. 93-193 (Phase I), Direct Case of Rochester Telephone Corp. at 17 (Aug. 11, 1995).

### **Certificate of Service**

I hereby certify that, on this 27th day of September, 1995, copies of the foregoing Rebuttal Case of Rochester Telephone Corp. were served by first-class mail, postage prepaid, upon the parties on the attached service list.

  
Michael J. Shortley, III

## Service List

Kristin U. Shulman, Director  
Federal Regulatory Planning and Policy  
Ameritech  
2000 W. Ameritech Dr., Room 4G62  
Hoffman Estates, IL 60196-1025

Edward Shakin  
Bell Atlantic Telephone Companies  
1320 North Court House Road  
Eight Floor  
Arlington, VA 22201

Mark Rosenblum  
Peter Jacoby  
Judy Sello  
AT&T Corp.  
Room 3244J1  
295 North Maple Avenue  
Basking Ridge, NJ 07920

Mary McDermott  
Linda Kent  
Charles D. Cosson  
US Telephone Association  
1401 H. Street, N.W., Suite 600  
Washington, DC 20005

M. Robert Sutherland  
BellSouth Communications  
4300 Southern Bell Center  
675 West Peachtree Street, N.E.  
Atlanta, GA 30375

Sheryl L. Herauf, Director  
Federal Regulatory Relations  
Pacific Bell  
1275 Pennsylvania Ave., N.W., Suite 400  
Washington, D.C. 20004

M. E. King Jr., President and Executive Officer  
Nevada Bell  
645 E. Plumb Lane, Room B-132  
P.O. Box 11010  
Reno, NV 89520

Campbell L. Ayling  
NYNEX Telephone Companies  
1111 Westchester Avenue  
White Plains, NY 10604

Eugene J. Baldrate, Director-Federal Regulatory  
Southern New England Telephone  
227 Church Street, 4th Floor  
New Haven, CT 06506

Don Sussman  
Regulatory Analyst  
MCI Telecommunications Corporation  
1801 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006

William F. Wardwell, Vice President of Service Costs  
and Pricing Local Telecommunication Division  
Sprint  
2330 Shawnee Mission Parkway  
Westwood, KS 66205

Gregory L. Cannon  
US West Communications  
Suite 700 1020  
19th Street, N.W.  
Washington, D.C. 20036

Robert M. Lynch  
Durward D. Dupre  
Thomas A. Pajda  
Southwestern Bell Telephone  
One Bell Center, Room 3520  
St. Louis, Missouri 63101

Richard McKenna, HQE03J36  
GTE Service Corporation  
P.O. Box 152092  
Irving, TX 75015-2092

Gail Polivy  
GTE Telephone Operating Companies  
1850 M Street, N.W.  
Suite 1200  
Washington, D.C. 20036